

CITY OF COON RAPIDS

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT  
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD  
JULY 1, 2012 THROUGH JUNE 30, 2013

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## CITY OF COON RAPIDS

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Anthofer	Mayor	January 2016
Roger Clayburg	Council Member/Mayor Pro-tem	January 2014
Josh Smouse	Council Member	January 2014
Janelle Kracht	Council Member	January 2014
Christine Goodwin	Council Member	January 2016
Jon Esdohr	Council Member	January 2016
Jesica Leighty	City Clerk/City Treasurer	January 2015
Mark Thomas	Attorney	January 2014

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

November 19, 2013

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

**Harlan Office:**

2309 B Chatburn Ave.  
P.O. Box 551  
Harlan, IA 51537-0551

Ph. (712) 755-3366  
Fax (712) 755-3343

**Avoca Office:**

305 W. High Street  
P.O. Box 609  
Avoca, IA 51521-0609

Ph. (712) 343-2379  
Fax (712) 343-5012

[www.muxfeldt-cpa.com](http://www.muxfeldt-cpa.com)  
[firm@muxfeldt-cpa.com](mailto:firm@muxfeldt-cpa.com)

**Licensed In:**

Iowa  
Missouri

Independent Accountant's Examination Report

To the Honorable Mayor  
and Members of City Council:

I have performed an examination of the City of Coon Rapids pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Coon Rapids for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. I reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Coon Rapids, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Coon Rapids, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Coon Rapids and other parties to whom the City of Coon Rapids may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Coon Rapids during the course of my examination. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Murphy & Associates, CPA, P.C.*

## DETAILED RECOMENDATIONS

CITY OF COON RAPIDS

DETAILED RECOMENDATIONS

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and journalizing.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Treasurer Report – The monthly Treasurer's Report that is presented to the Council does not include the petty cash fund

Recommendations – The monthly Treasurer's Report should include all funds to accurately reflect the City's cash and investments and reconcile to the City's fund balances.



CITY OF COON RAPIDS

DETAILED RECOMENDATIONS

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (C) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City did not receive an image of the back of each cancelled check from the bank.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (D) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jon Esdohr, Council Member	Labor	\$ 92
Jeff Anthofer Mayor	Labor	\$ 270
Josh Smouse Council Member	Labor	\$ 1,650

In accordance with Chapter 362.5(k) of the Code of Iowa, some of above transactions may represent a conflict of interest although total transactions for each were less than \$2,500 during the fiscal year.

Recommendation – City should consult legal counsel to determine the disposition of this matter.

## CITY OF COON RAPIDS

### DETAILED RECOMENDATIONS

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (E) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City has tax increment financing (TIF) debt of \$320,900 outstanding at June 30, 2013.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (F) Separately Maintained Records – The City of Coon Rapids Fire Department's Non-Profit 501(c)3, maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis. The Fire Department Association's accounts should be monitored for the use of public funds, and if needed, be included in the general accounting of the City's financial records. The City should consult legal counsel on this matter.

CITY OF COON RAPIDS

DETAILED RECOMENDATIONS

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (G) Financial Condition – The Employee Benefit Fund and Fire/Ambulance Building Fund had deficit balances at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate the deficit balance in order to return this fund to a sound financial condition.

- (H) Approval of Disbursements – It was noted during testing that several disbursements were issued prior to Council approval. The City has an approved Resolution No. 747-00, which allows certain disbursements to be paid before Council approval. Several disbursements did not meet this Resolution.

Recommendation – All disbursements should be approved by Council before issuance, except those that fall under Resolution No. 747-00.

- (I) Minutes -- Chapter 370.7 of the Iowa Code requires that all Council Minutes be properly signed by appropriate City officials. There was one instance where Council minutes were not signed by City officials.

Recommendation – The City should take steps to insure all Council minutes are signed by appropriate City officials.

CITY OF COON RAPIDS

COON RAPIDS, IA 50058

**NEWS RELEASE**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an examination report on the City of Coon Rapids, Iowa for the period July 1, 2012 through June 30, 2013. The examination was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, cash receipts, disbursements, and financial reporting . Muxfeldt Associates, CPA, P.C. recommends the City comply with Chapters, 554D.114, 362.5(k), and 384.20. Muxfeldt Associates, CPA, P.C. also recommends that treasurer's report include all City funds, deficit fund balances be eliminated, approval for disbursements before issuance of the claim and minutes be signed.

A copy of the examination report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

